

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 DRC-01 /152 W

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P 262129Z FEB 74

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC PRIORITY 5278

C O N F I D E N T I A L NASSAU 350

E. O. 11652: N/A

TAGS: ENRG BF

SUBJ: ENERGY: GASOLINE FOR GRAND BAHAMA ISLAND

REF: STATE 36974

1. AN UNDERSTANDING OF THE FREEPORT SITUATION IS IMPORTANT IN DEALING WITH THE CHEVRON REQUEST. ALL OF THE ENTITIES INVOLVED -- CHEVRON, FOCOL, BORCO, AND THE GRAND BAHAMA PORT AUTHORITY (WHICH OWNS FREEPORT) -- ARE BASICALLY AMERICAN OWNED INVESTMENTS IN THE BAHAMAS. THOUGH THERE IS NO LEGAL OBLIGATION TO THE GCOB, THERE IS A MORAL ONE IN SEEING THAT THE ACTIVITIES OF WHAT AMOUNTS TO A US ENCLAVE IN THE BAHAMAS DO NOT RESULT IN SERIOUS DISLOCATION OF THE BAHAMIAN ECONOMY. THERE IS ALREADY A HISTORY OF GCOB RESENTMENT OF FREEPORT AS A FOREIGN ENCLAVE WITHIN THEIR TERRITORY.

2. FYI: CHEVRON (BAHAMAS) IS SENDING A REPRESENTATIVE TO FLORIDA THIS WEEK TO MEET WITH OTHER OIL COMPANIES TO SEE IF NEEDED GASOLINE CAN BE SUPPLIED FROM THE CARIBBEAN. IF THIS FAILS AND THE EXEMPTION IS NOT GRANTED THE OTHER POSSIBILITY WILL BE FOR THE GCOB TO ORDER THE SUPPLIERS FOR NASSAU (TEX-ACO, ESSO, AND SHELL) TO DIVERT SOME OF NASSAU'S GASOLINE SUPPLIES TO FREEPORT.

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3. GEOGRAPHY (100 MILES SEPARATE THE TWO ISLANDS) AND LACK OF INFRASTRUCTURE MAKE A REALLOCATION SOLUTION DIFFICULT. IN TERMS OF THE TIME TO MOVE SUPPLIES, IT WOULD TAKE SEVERAL WEEKS TO ACHIEVE RESULTS.

4. AS IT IS, THE PRESENT ENERGY CRISIS WILL PLACE A DRAIN ON THE GCOB'S FOREIGN EXCHANGE RESERVES. IT BELIEVES IT CAN MEET THE SITUATION ADEQUATELY FROM TOURISM RECEIPTS. FAILURE TO SUPPLY FREEPORT, OR THE NECESSITY OF SHARING EXISTING SUPPLIES BETWEEN THE TWO ISLANDS WOULD SERIOUSLY AFFECT THE TOURIST INDUSTRY AND THUS THE GCOB'S ABILITY TO EARN FOREIGN EXCHANGE TO COPE WITH THE SITUATION. THE PROBLEM IS MADE CRITICAL BY THE LACK OF PUBLIC TRANSPORTATION IN THE BAHAMAS, MAKING THE AUTOMOBILE AN ABSOLUTE NECESSITY. AS FREEPORT WAS LAID OUT, THERE ARE LONG DISTANCES BETWEEN THE IMPORTANT PARTS OF THE TOWN -- THE PORT, AIRPORT, INDUSTRIAL AND BUSINESS SECTIONS.

5. IN THE PRESENT INSTANCE FAILURE OF THE US TO MEET THIS REQUIREMENT WOULD MEAN THE US WOULD HAVE TO BEAR THE ENTIRE BLAME. THE GCOB WOULD NOT TAKE THE VIEW THAT THIS IS MERELY PART OF A BAD SITUATION CAUSED BY THE OIL PRODUCING STATES OF THE MIDDLE EAST. EMBASSY DOUBTS THAT GCOB WOULD REACT AGAINST BORCO, BUT MOST LIKELY WOULD COME TO US TO SEEK ASSISTANCE IN OBTAINING THE EXEMPTION FOR CHEVRON.
SPIERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GASOLINE, SUPPLIES, ECONOMIC CONDITIONS, EXPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NASSAU00350
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: n/a
From: NASSAU
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974029/aaaaahxu.tel
Line Count: 87
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 36974
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 06 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 SEP 2002 by elyme>; APPROVED <10 DEC 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: GASOLINE FOR GRAND BAHAMA ISLAND
TAGS: ENRG, BF, US, CHEVRON
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005